FINAL BILL REPORT

SHB 1528

<u>PARTIAL VETO</u>
C 500 L 93

Brief Description: Modifying the state's cash management system.

By House Committee on Appropriations (originally sponsored by Representatives Dunshee, Locke and R. Meyers; by request of Office of Financial Management).

House Committee on Appropriations
Senate Committee on Ways & Means

Background: The state currently uses electronic fund transfers (EFT) for payroll, intergovernmental transfers, and collecting from large taxpayers. Credit cards are accepted by the Convention and Trade Center and institutions of higher education. These methods of funds transfer are authorized by statute.

Agencies may maintain local funds outside of the treasury with the approval of the Office of Financial Management (OFM). Agencies with treasury accounts may also maintain petty cash and lock box accounts outside the treasury for local deposit purposes. Currently, 15 agencies maintain such accounts with 50 banks. Agencies maintaining local funds and accounts outside of the treasury are responsible for negotiating the service fees and interest rates for their accounts. Fees and interest rates for these local accounts vary widely.

The federal Cash Management Improvement Act of 1990 (CMIA) was enacted to provide equity in the exchange of funds between the states and the federal government. Under the act, if a state draws down federal funds too rapidly, the state will owe the federal government interest earnings. If a state does not receive federal funds quickly enough, the federal government will owe the state interest earnings. CMIA also requires that each state set up a centralized mechanism for reconciling accounts with the federal government. The deadline for state compliance with CMIA has been extended from October 1992 to July 1993.

Summary: OFM is authorized to approve, whenever economically feasible, the use of EFT, credit cards, and other electronic means for transfer of funds by state agencies. OFM is directed to adopt rules specifying the

manner in which electronic payment methods are available to agencies. The Office of the State Treasurer is directed to coordinate agencies' contracts with credit card companies and acceptance of other payment methods once approved by OFM.

Specific statutory provisions for credit card acceptance by institutions of higher education and the Convention and Trade Center are deleted and specific statutory authority for the use of EFT for direct deposit of payroll is deleted.

The Office of the State Treasurer is responsible for ensuring the effective cash management of public funds, including representing the state in all contractual relationships with financial institutions.

Agencies authorized to create local accounts outside the state treasury are directed to use the services of the state treasurer to ensure compliance with cash management policies established by OFM. Authorization is provided for use of the investment income and treasury income accounts to pay for purchased banking services without appropriation. Purchased banking services include, but are not limited to, depository, safekeeping, and disbursement functions for the state treasurer or affected state agencies.

To reconcile federal and state accounts and thus comply with CMIA, the treasury income account is authorized to pay or receive funds from the federal government. OFM is to direct the transfer of funds between accounts as necessary to implement the CMIA. No appropriation is required for refunds or allocations of interest earnings required by CMIA.

The state treasurer is required to report to the fiscal committees of the Legislature on January 1, 1995 and January 1, 1996 on the costs, financial benefits, and staffing requirements that result from the enactment of the bill.

Votes on Final Passage:

House	95	3	
Senate	45	0	(Senate amended)
House	96	1	(House concurred)

Effective: July 1, 1993

Partial Veto Summary: The reporting requirements for the state treasurer are removed. (See VETO MESSAGE)